

US Economic History

Tuesday, May 17, 2022

Professor Martha J. Bailey

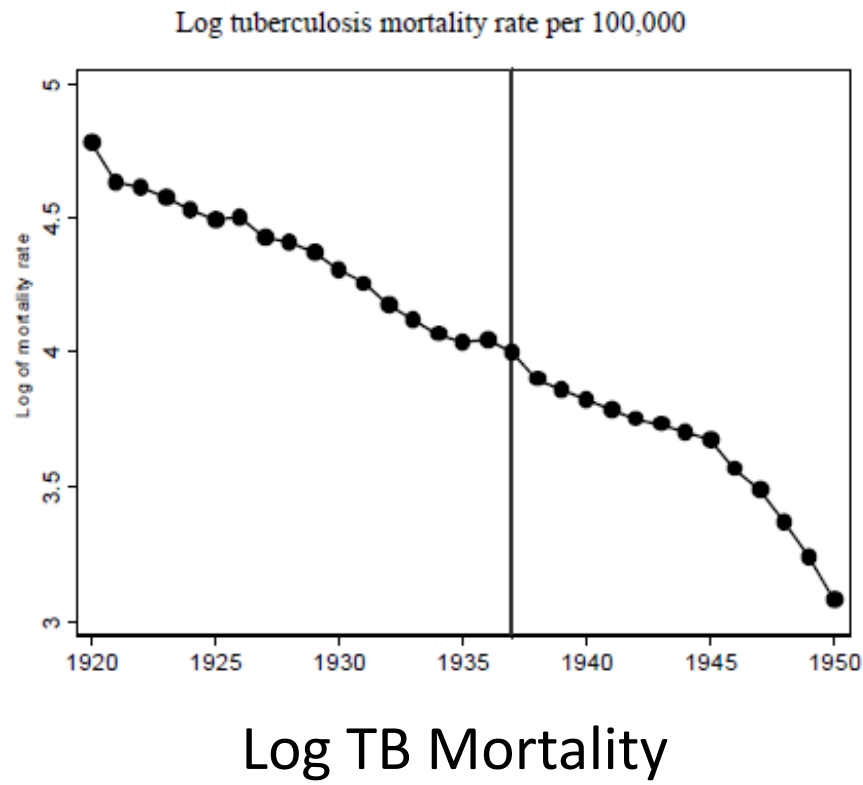
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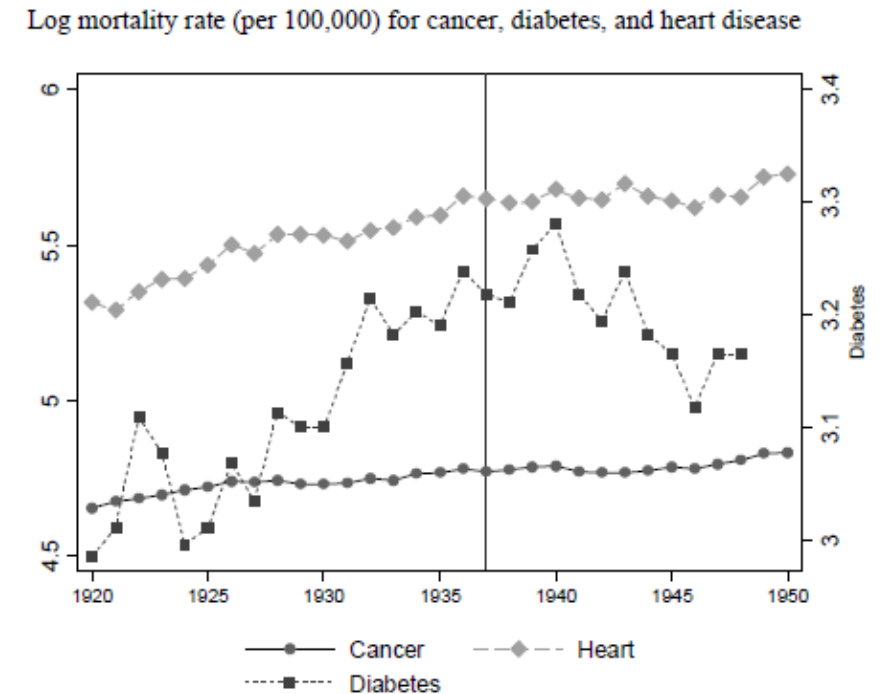
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Mea Culpa



Source: Jayachandran, Lleras-Muney, Smith (AEJ-Applied, 2010)

Control Diseases



Today's Class

Brief Overview of Race and Racism in the US: Slavery through the Great Migration and the Great Debates of Economic History

Presentations on Great Migration

- Collins (1997, AER)
- Black et al. (2015, AER)
- Hornbeck and Naidu (2014, AER)

Discussion

- Black et al. (2015, AER)
- Hornbeck and Naidu (2014, AER)

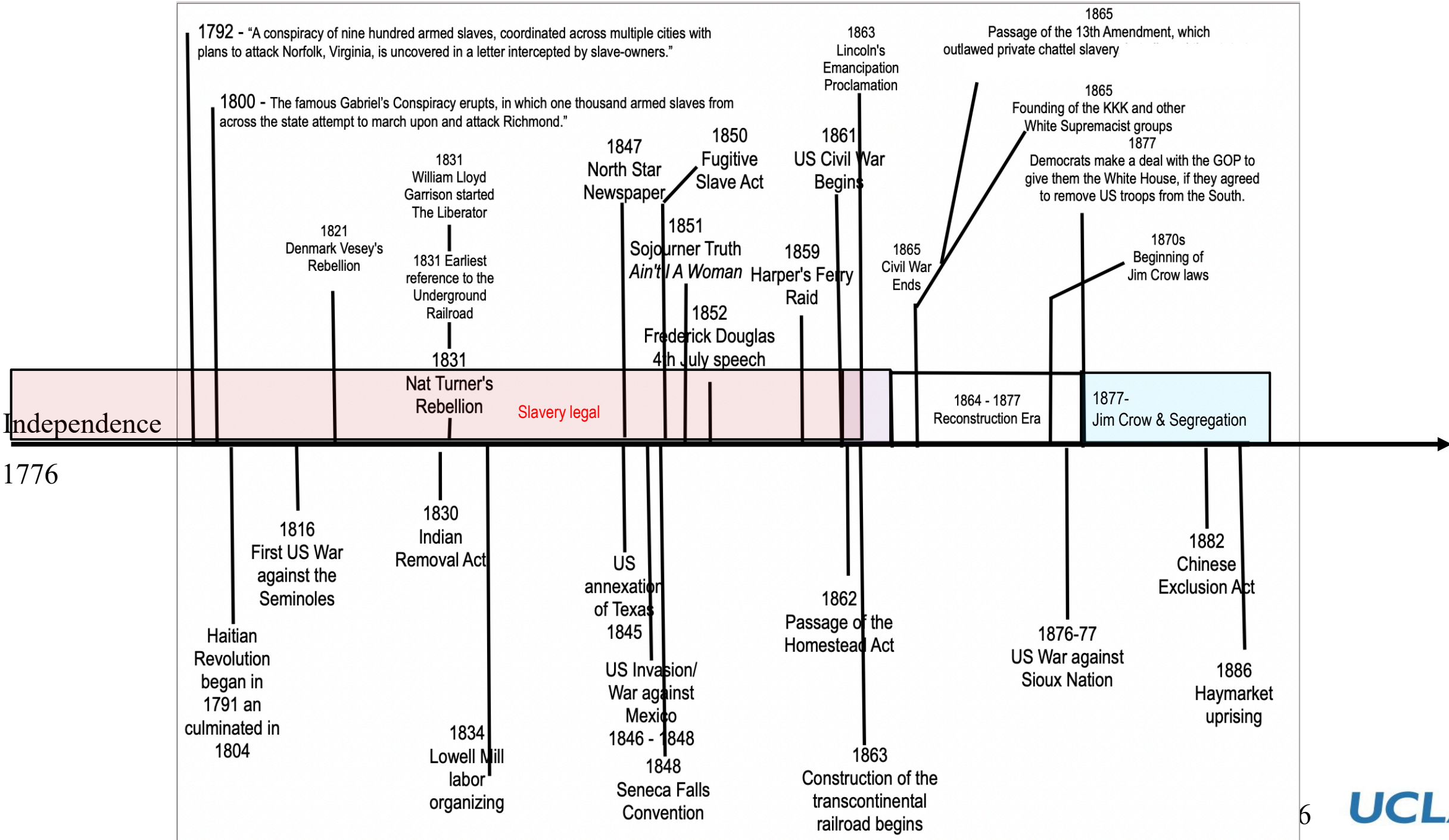
Slavery America's "Original Sin"



The “glaring contradiction between the lofty Enlightenment rhetoric of the Declaration of Independence and the harsh reality of human bondage” (Wright 2022, JEP).

Marquis de Lafayette is said to have declared in the 1790s: “I would never have drawn my sword in the cause of America, if I could have conceived that thereby I was founding a land of slavery” (as quoted by Clarkson 1846, p. 64).

Slavery is embedded in the US Constitution of 1789 and persisted until the 13th Amendment in 1865



Time on the Cross (Fogel and Engerman 1974)

Conclusions

1. Owning slaves was profitable
2. Ante-bellum slave economies were thriving prior to Civil War
3. Secessionism in South was motivated by optimism about the future of slavery
4. Slave agriculture was 35% more efficient than Northern family farming
5. Slaves were hard-working and productive (more than Northern whites)
6. Sexual exploitation “destroyed the black family” are false
7. Living conditions of slaves “compared favorably” to free labor in North
8. Payment (in clothing, food, housing, etc.) to slaves was much closer to value of what they produced than previously believed
9. Income per capita in the South grew more rapidly than in North and was relatively high prior to Civil War

Time on the Cross (Fogel and Engerman 1974)

Methods also new

1. Applies neoclassical economics (individuals rational, profit seeking) to history
2. Outcomes are efficient and market mechanisms work
 - Slave owner would have had a powerful incentive to ensure that whippings were modest and judicious, since brutal treatment would risk damaging their most valuable assets
 - Incentives mean that slavery was more humane and efficient → sustainable
3. Detailed data to test claims → “Cliometrics”

Did Slavery Play an Indispensable Role in the Rise of the US Economy to Preeminence?

- “Slavery was the nursing mother of the prosperity of the North (qt. Desmond 2019)
- “Without slavery there would be no cotton, without cotton there would be no modern industry” (Marx 1846)
- New History of Capitalism:
 - Sven Beckert (Harvard) says, “focused on capitalist economies” –prominent “Empire of Cotton: A Global History” → a theory of the Industrial Revolution that emphasizes its origins in “slavery, colonial domination, militarized trade, and land expropriation”
 - Caitlin Rosenthal (2016) says “focus on the human costs associated with historical economic change; an “activist impulse” seems to animate their work”
 - Hilt (2017) reviewed 10 books and concludes this “new history” ignored six decades of work in economic history on slavery, cotton, etc.
 - Wright (2022) goes further to says “this proposition has been rejected by virtually every economic historian who has examined the issue”

Origins of North American Slavery

- Labor needed: why not enslave Native Americans?
 - A1: indigenous population wiped out by smallpox, flu, malaria...)
 - A2: political and social reasoning viewed African slavery as different by Europeans (racism)
 - A3: slavery was legally recognized in all parts of British America

Why concentrated in South?

- A3: Slaves for sugar in Caribbean was high and ports in the South US were close
- A4: MRP in South was higher than elsewhere, so they could afford to pay prices set in Caribbean

Table 1

Population of British America by Region, 1780

	Total	Black	Black (%)
New England	712,829	14,427	2.0
Middle Atlantic	466,973	39,369	8.4
Upper South	1,156,481	406,278	35.1
Lower South	251,071	127,831	50.9
British West Indies	570,000	491,000	86.1

Source: *Historical Statistics of the United States Millennial Edition* (volume 5, tables Eg 1–59).

Note: New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont. Middle Atlantic: New Jersey, New York, Pennsylvania. Upper South: Delaware, Kentucky, Maryland, North Carolina, Tennessee, Virginia. Lower South: Florida, Georgia, South Carolina.

Table 2

Population of the United States by Region, 1790

	Total	Slave	Free Black	% Black	% Black Pop. Free
New England	1,009,408	3,763	16,911	2.0	81.8
Middle Atlantic	958,632	36,323	13,855	5.2	27.7
Upper South	1,630,807	521,200	30,324	33.8	5.5
Lower South	331,621	136,358	2,194	41.8	1.6

Source: *Historical Statistics of the United States Millennial Edition*. Volume 2. Table Bb 1–98; Volume 1. Table Aa 36–92; Table Aa 5607–5707.

Note: Florida is not included.

Did Slavery Constitute a Basis for Accelerated Economic Growth?

- Legacies of slavery
 - Infrastructure: Growth of cities and universities, for instance
- Wright (2022) sums up 60 years of economic history: “No”; argues that southern institutions arising from slavery slowed economic growth in the South

1. Colonial Era Economic Growth Extensive

- 1776 US already affluent, but...
 - High standard of living reflected favorable disease environment, cheap food, but not rapid growth per capita
 - US infrastructure deeply underdeveloped: no banks, domestic capital markets, internal transportation, no modern mining or manufacturing, weak institutions
 - Most economic growth in colonial era was *extensive*—*growth in population and land area*—not productivity

2. American Revolution and Acceleration of Economic Growth

- American Revolution inflicted massive damage to mainland economies, large destruction in slaveholding South
 - Counter to arguments that Americans fought the British to escape the imminent emancipation
- 1774-1790: Lindert and Williamson (2016) estimate that personal income p.c. fell by 30% in South Atlantic region, smaller declines in New England and Middle Atlantic
- 1790: Growth accelerates to ~1.7% per year by ~1850 (historians think that trends in long-term growth underway very early), due both to...
 - Irwin & Sylla (2011): fiscal credibility, stabilization of currency, development of financial markets, growth promoting state policies
 - Wallis & Weingast (2018) transportation investments by government
 - Weiss (1993): farmers migrate west, adopted mechanized equipment
 - Sokoloff (1986): growing domestic markets and protectionist tariffs, American manufacturing reached growth rates of 2.5% per year between 1820-1860

3. Northern States Abolished Slavery Early

- “Excruciating divergence between national ideals and the reality of slavery” (Wood 1992)
- Abolition before the British Empire in 1833:
 - New England: 1777: Vermont, 1799: New York, 1804: New Jersey
 - 1787 Northwest Ordinance, Article VI: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota

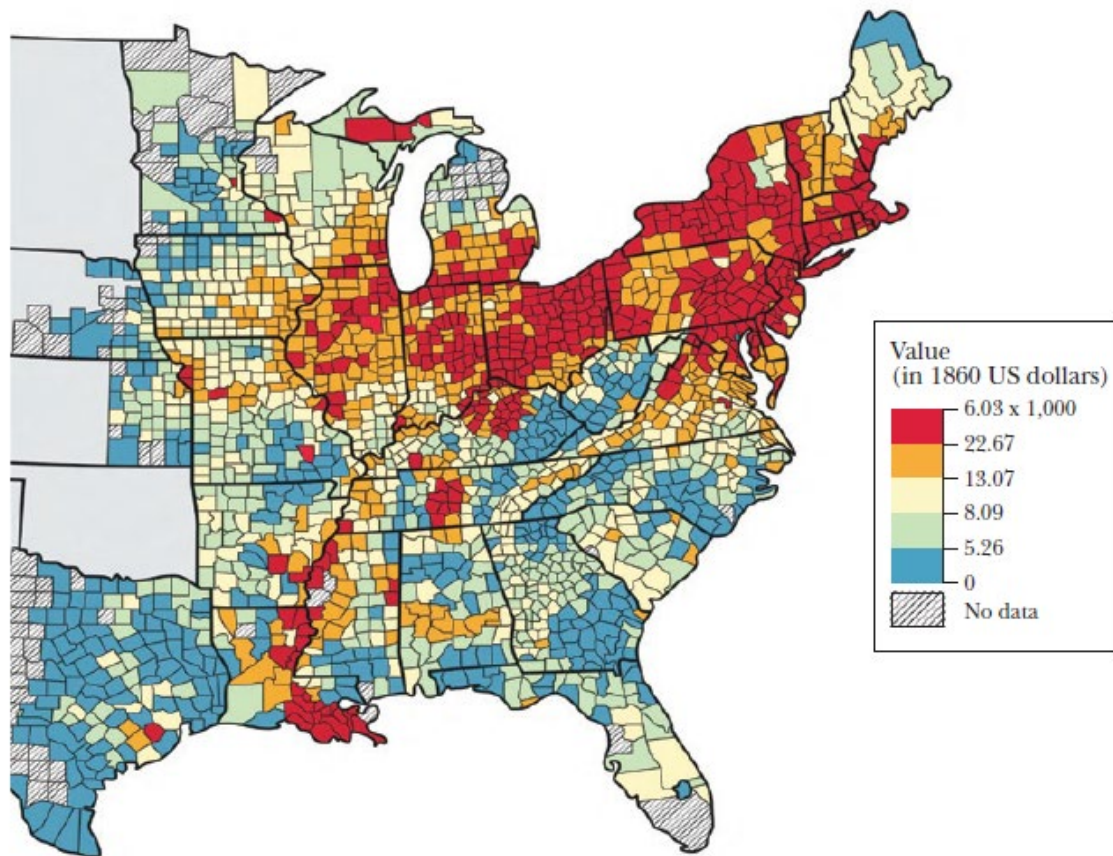
4. Growth in the South Fueled by Rising Demand for Cotton

- 1790s: Southern planters searching for alternative to tobacco, grains, indigo, where prices were falling
- “Upland Cotton” provided the answer: minimal capital outlay + cotton gin invention (1793)
 - Leveling effects from its spread through rural areas, enabling the “poor” to be “elevated to middle grade of society” (Klein 1990)
- Wright (2022): Cotton became a slave crop NOT because it was technologically imperative, but because farmers were already slave-owners

5. Slavery Limited Southern Economic Development

- North
 - Farmers in free states moved steadily westward
 - Turnpikes built
 - Canal boom 1815-40 (5x as many miles built in North)
 - Railroad boom (3x as dense as in south, fully integrated with all but South)
- South
 - Slave-owners leapfrogged to rich cotton lands of Southwest
 - Limited transportation infrastructure: almost no turnpikes, few canal miles
 - Rail: fewer lines and “generally inferior in construction, rail, motive power and rolling stock (Wright 1986); South stayed isolated and on a separate rail gauge SEPARATE than rest of country

Figure 1
Farm Value per Acre of Land on Farms, by County, 1860



Source: Wright (2006, p. 65).

Note: Colorization by Mary Lee Eggart is gratefully acknowledged.

Economic Development as Measured by Land Values on the Eve of the Civil War

1. Stark North-South divide
2. Strong division along the “Mason Dixon” line

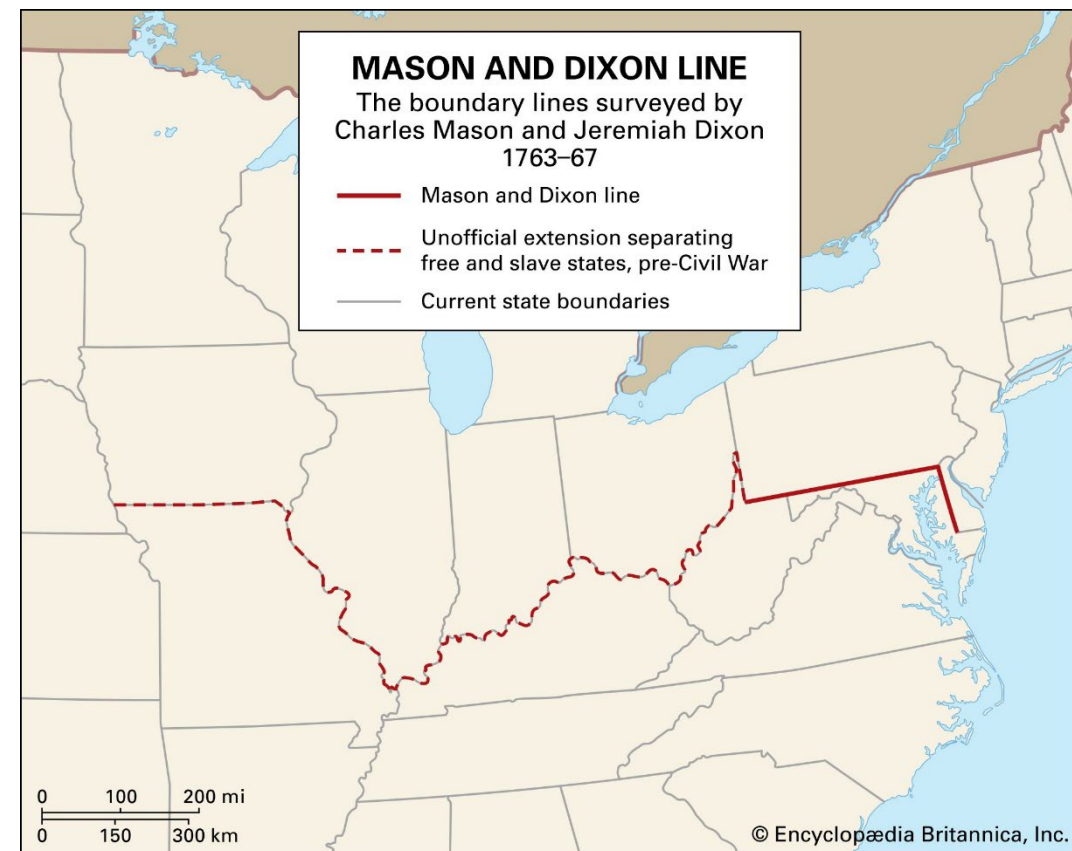


Table 4
Regional Wealth in 1850 and 1860

	<i>1850</i>		<i>1860</i>	
	<i>North</i>	<i>South</i>	<i>North</i>	<i>South</i>
Physical wealth (billions of dollars)	\$4,474	\$2,844	\$9,786	\$6,332
Value of slaves (billions of dollars)		\$1,286		\$3,059
Nonslave wealth (billions of dollars)	\$4,474	\$1,559	\$9,786	\$3,273
Wealth per capita	\$315	\$316	\$482	\$569
Nonslave wealth per capita	\$315	\$174	\$482	\$294
Nonslave wealth per free capita	\$315	\$266	\$482	\$449
Wealth per free capita	\$315	\$483	\$482	\$868

Sources: Preliminary Report of the Eighth Census (1862, 194–195); Ransom and Sutch (1988, 150–51). Free Black population figures are from the US Census Bureau (1918, 57).

Regional wealth is highly concentrated in slaves

With slave value, South was the wealthiest region in 1860—but not without Non-human value (as in modern growth accounting), North was ahead

Summary

- Economic growth in the South was real, but not due to slavery
 1. Population shift to high productivity southwest, but transitional
 2. Cotton seed productivity (Olmstead & Rhode 2008) drove growth for a while, but not sustained (were regionally biased for soils of southwest)
 3. High growth in world demand for cotton (~5% per year from around 1800 to 1860), but fell 1.5% per year between 1866-1895 (Wright 1974)
- *Ante-bellum economic growth in south would have happened without slavery, and post-bellum growth would have slowed without slavery*
- *Unfortunate timing for those interested in causal inference*

Summary (continued)

4. Wealth levels hard to interpret due to “slave capital”

5. Slavery may have crowded out other investments in infrastructure and innovation (Wright 2022)

- Slave ownership reduced need to invest in local capital infrastructure, bc they are “movable” personal property (value independent of local development)
- Owners could borrow across long distances: less need for banks, credit relationships
- Owners didn’t need to attract labor by recruiting settlers, coordinating with state politicians, investment in schools (35% of Southern children in school versus 72% elsewhere)
- Confederate politician, Louis Wigfall is quoted in 1861:

We are a peculiar people, sir! ... We are an agricultural people; we are a primitive but civilized people. We have no cities—we don’t want them. We have no literature—we don’t need any yet ... We want no manufactures: we desire no trading, no mechanical or manufacturing classes ... As long as we have our rice, our sugar, our tobacco, and our cotton, we can command wealth to purchase all we want from those nations with which we are in amity, and to lay up money besides.

Summary (continued)

6. Northerners may have contributed to, interacted with, been complicit in slave trade, but ample evidence that they would have done well without it

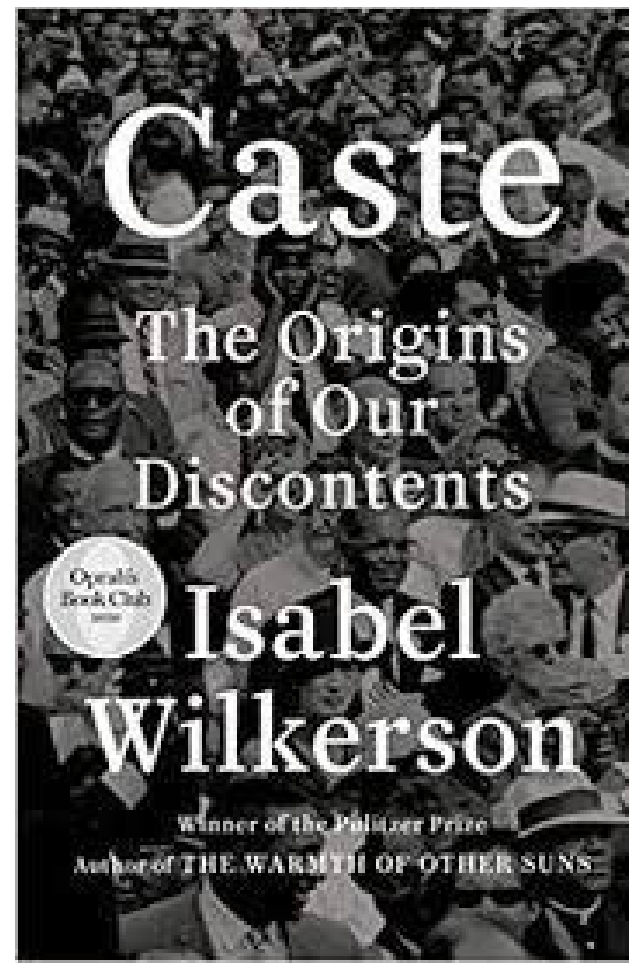
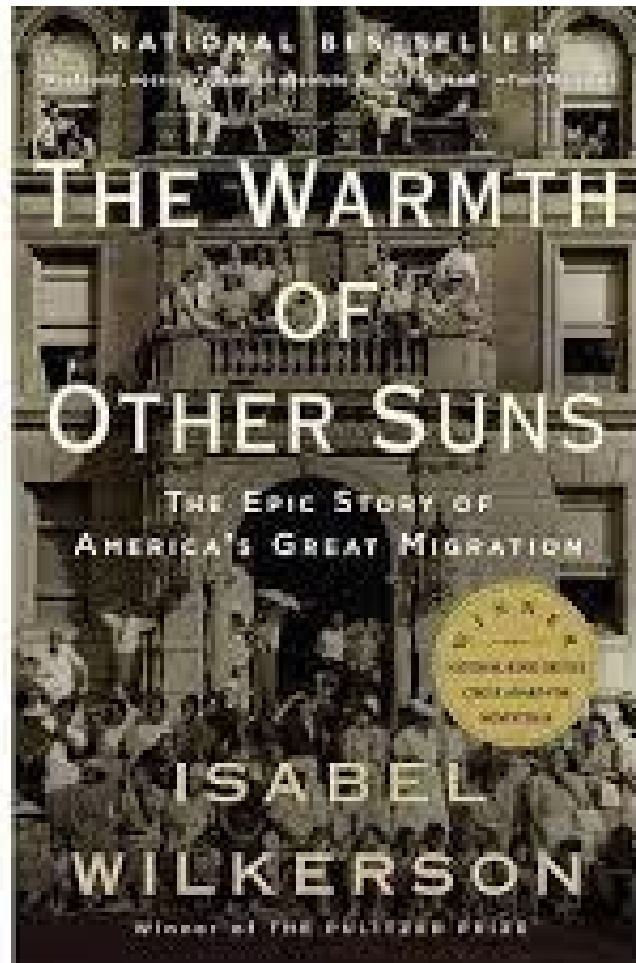
- Cotton did not require slavery: Soon after emancipation, small Southern farmers moved into cotton, increased production, which contributed to a fall in prices to pre-war levels by 1875
- Cotton textiles was the largest antebellum manufacturing industry BUT it only accounted for less than 10% of employment and 6% of value added in 1860
- Other manufacturing industries in the North (furniture, glass, hats, paper, tanning, coaches/harnesses) with little connection to slavery grew very quickly before 1850

7. Wrong to say that Northerners were not racists: Illinois State Journal wrote in 1856: “We are for free Kansas, because we are for free white men” (qt. Morrison 1997) → Racism was pervasive and did not disappear with slavery

Other Readings

- Eric Hilt. (forthcoming), “Revisiting Time on the Cross after 45 Years: The Slavery Debates and the New Economic History,” in *Capitalism and History*.
- Trevon Logan. (2022) “American Enslavement and the Recovery of Black Economic History.” *Journal of Economic Perspectives*.

Excellent Popular Books



After the Civil War

1865-1877: Reconstruction

1877- ? : Jim Crow

1915-1970: Great Migration

Presentations

- Collins (1997, AER)
- Black et al. (2015, AER)
- Hornbeck and Naidu (2014, AER)

